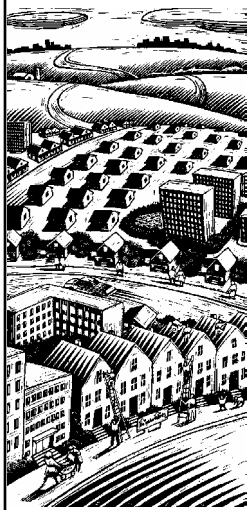




Partnerships with Realtors®

November 1999

Neighborhood Reinvestment Corporation
NeighborWorks® Campaign for Home Ownership



**NEIGHBORHOOD REINVESTMENT CORPORATION,
THE NEIGHBORWORKS® NETWORK AND
THE NEIGHBORWORKS® CAMPAIGN FOR HOME OWNERSHIP**

Neighborhood Reinvestment Corporation was established by an act of Congress in 1978 (Public Law 95-557). A primary objective of the Corporation is to increase the capacity of local community-based organizations to revitalize their communities, particularly by expanding and improving housing opportunities.

These local organizations, known as NeighborWorks® organizations, are independent, resident-led, nonprofit partnerships that include business leaders and government officials. All together they make up the NeighborWorks® network.

The NeighborWorks® Campaign for Home Ownership is the largest national initiative of its kind: a joint effort by private industry and government working with community-based NeighborWorks® organizations to bring more families into home ownership. NeighborWorks® organizations participating in the campaign use the NeighborWorks® Full-Cycle LendingSM system. Under this system, prepurchase education, innovative loan products and early-intervention delinquency counseling are combined into a system that helps create successful homebuyers who take charge of their neighborhoods as well as their homes.

This publication, *Partnerships with Realtors*®, was researched and edited by Prentice Bowsher with formatting assistance from Sheila Squier (Neighborhood Reinvestment Corporation). This publication may be reprinted with permission from Neighborhood Reinvestment.

© 1999 by Neighborhood Reinvestment Corporation, 1325 G Street NW, Suite 800, Washington, DC 20005; (202) 220-2300; www.nw.org.

Neighborhood Reinvestment Corporation's Board of Directors:

Chairman: Edward M. Gramlich, Member, Board of Governors, Federal Reserve System

Vice Chairman: John M. Reich, Director, Federal Deposit Insurance Corporation

James Gilleran, Director, Office of Thrift Supervision

Deborah Matz, Board Member, National Credit Union Administration

Julie Williams, First Senior Deputy Comptroller and Chief Counsel, Comptroller of the Currency, Designate

John C Weicher, Assistant Secretary for Housing/Federal Housing Commissioner, U.S.

Department of Housing and Urban Development, Designate

Mel Martinez, Secretary, U.S. Department of Housing and Urban Development

TABLE OF CONTENTS

INTRODUCTION	3
THE CASE FOR HOME OWNERSHIP.....	3
SEEING PATTERNS	4
BUILDING RELATIONSHIPS TO PROMOTE SALES AND HOMEOWNERSHIP.....	5
THE ADVANTAGES OF PARTNERING BETWEEN REALTORS® AND NONPROFIT ORGANIZATIONS.....	5
WINNING WAYS: PARTNERSHIPS WITH THE REAL ESTATE COMMUNITY	7
LAFAYETTE, INDIANA	7
BALTIMORE, MARYLAND	7
SALISBURY, MARYLAND	7
GREAT FALLS, MONTANA.....	8
MILWAUKEE, WISCONSIN	8
LAFAYETTE, INDIANA, NHS RELATIONSHIP WITH REALTORS®	9
OUTCOME	9
BACKGROUND	9
SPECIFIC COMPONENTS	9
APPROACH.....	10
LESSONS LEARNED	10
NHS OF BALTIMORE, MARYLAND, PARTNERS WITH THE REAL ESTATE COMMUNITY	12
OUTCOME	12
BACKGROUND	12
COMPONENTS	12
LESSONS LEARNED	13
SALISBURY, MARYLAND, NHS BRINGS NEW BUSINESS TO THE REAL ESTATE COMMUNITY.....	15
OUTCOME	15
BACKGROUND	15
COMPONENTS	15
LESSONS LEARNED	16
GREAT FALLS, MONTANA, NHS INVOLVEMENT WITH REALTORS®	18
OUTCOME	18
BACKGROUND	18
COMPONENTS	18
LESSONS LEARNED	19
NHS OF MILWAUKEE, WISCONSIN'S, NEIGHBORHOOD HOMEBUYER GUIDE	21
OUTCOME	21
BACKGROUND	21
COMPONENTS	22
LESSONS LEARNED	22

INTRODUCTION

The NeighborWorks® Campaign for Home Ownership 2002, in creating a framework for expanding NeighborWorks® organizations' work with first-time homeowners, has also had the positive outcome of pooling the collective talent and creativity within the network. The campaign has given dedicated people who are the well-spring of local organizations' talent a chance to come together, share their wisdom and be inspired by their colleagues' ideas.

Winning Strategies is a natural response to the enthusiasm and collective thought expressed through the campaign. Documenting these strategies as case studies has been an important piece of the campaign's work, in part because these written reports can disperse accounts of successful models to distant locales and a range of audiences. The objectives in publishing Winning Strategies are:

- To describe and record in a straightforward way NeighborWorks® organizations' innovative approaches to helping families overcome barriers to home ownership;
- To illustrate how NeighborWorks® organizations are implementing the comprehensive approach to home ownership called Full-Cycle LendingSM, itself formalized under the aegis of the campaign; and
- To offer NeighborWorks® organizations and others interested in home-ownership promotion a way to learn from and perhaps replicate existing work in the field.

The Case for Home Ownership

Expanding opportunities for people to become homeowners is an important national policy objective. Home ownership, a metaphor for financial and family security, is an umbrella that shelters families in times of uncertainty or need. Of equal importance, home ownership is stabilizing, bringing security and economic benefit to families as well as neighborhoods. When home ownership wanes, the neighborhood often declines. Conversely, when home ownership is on the rise, the number of families with a stake in improving and preserving the neighborhood increases as well.

These intertwined systems of benefits, for families and for neighborhoods, provide a context for the work of expanding home-ownership opportunities.

Home ownership gives families choices. Families choose to invest in a house. They choose responsibility, a willingness to show they have the wherewithal to own and maintain a home. That personal choice is linked to choice of place. For families of modest means and perhaps without a tradition of ownership, these choices are significant and may lead to one of the most important investments a family can make – an investment in a home.

The actual work of home-ownership promotion is to help families make that choice successfully, to their benefit and to the benefit of the neighborhood. This involves acquainting families with and

educating them about home-purchase opportunities. It involves bringing flexible financing products to the table, to put home ownership within firm reach of families held back by traditional barriers. It means helping families after purchase, by teaching maintenance skills and the money-management skills needed to preserve and keep their properties. Finally, this work requires an ability to think creatively, to envision holistic strategies to protect homebuyers' individual choices and encourage other investments, helping to add rings to the growing tree that is a neighborhood.

Seeing Patterns

Some winning strategies are simple, others complex. Viewed individually, each winning strategy tells a story of innovation. Each sprang from one organization's thinking, brainstorming and persisting: each is an evolved approach to a particular challenge, whether it be connecting to customers, educating buyers or providing flexible financing.

Taken as a whole, winning strategies evidences some fundamental principles that are critical to success.

The first of these is partnership. Winning strategies shows how NeighborWorks® organizations are forming unique partnerships that make home-ownership opportunity the concern of a range of heretofore unlikely partners – churches, hospitals, financial institutions and municipal governments.

The second principle is recognition that overcoming barriers to home ownership for modest-income, often first-generation homeowners requires a comprehensive approach. This approach Full-Cycle LendingSM, is a system of borrowing as well as lending that takes seriously lower-income homebuyers' needs and the barriers they face in achieving home ownership.

Full-Cycle LendingSM is a systematic approach to home ownership for families of modest means and a way of promoting home ownership for neighborhood leaders and their partners in business and government. Full-Cycle LendingSM recognizes that home ownership is more than a one-time financing transaction; it is a process of homebuyer education, flexible financing and follow-up, in the form of postpurchase counseling. Full-Cycle LendingSM is strategically planned to create positive outcomes for neighborhoods. For financial institutions, secondary markets, insurers and municipal governments – all of whom seek to invest in homebuyers and communities - Full-Cycle LendingSM serves as a credit enhancement.

Partnerships with Realtors® describes NeighborWorks® partnerships developed to help reach a customer base. Because real estate brokers and agents play an important role in the home-ownership process, NeighborWorks® organizations have developed special relationships with them.

BUILDING RELATIONSHIPS TO PROMOTE SALES AND HOMEOWNERSHIP

The Advantages of Partnering between Realtors[®] and Nonprofit Organizations

In the competitive world of real estate sales, everyone is always looking for an edge or a new angle. Reaching new customers, promoting home ownership and selling homes are easier with the right partners. Many Realtors[®] have recently discovered the advantages of building partnerships and collaborations with community-based nonprofit organizations in order to enhance their reputation, visibility and sales.

Four key advantages are described below:

■ **Building Stronger Links to the Community**

By forging a positive relationship with a nonprofit organization, Realtors[®] can extend their reach and reputation deep into a neighborhood or community. The staff members, board members and volunteers of a nonprofit organization typically are some of the “key movers and shakers” in a community. Moreover, nonprofits have special newsletters and neighborhood events that have strong grass-roots support. For example, Neighborhood Housing Services of Baltimore, Maryland, posts real estate listings in its neighborhood offices, sponsors newspaper ads of neighborhood properties for sale, and organizes open houses of neighborhood properties for local Realtors[®].

■ **Reaching New Customers**

Nonprofit organizations devote tremendous amounts of time and effort to reaching and counseling families who have been overlooked by the conventional housing finance industry. Often these families, whether they are of modest-income or minority or immigrants, have the potential to become successful homebuyers if assisted with the right mix of training, counseling and professional help. Realtors[®], like those from the local Board of Realtors[®] working with Lafayette Neighborhood Housing Services in Lafayette, Indiana, can become an integral part of this process by assisting in homebuyer education programs as trainers. At the Salisbury Neighborhood Housing Services in Salisbury, Maryland, special outreach is provided to Spanish-speaking customers so that these families feel more comfortable with the homebuying process and are prepared for the responsibilities of home ownership.

■ **Finding Prequalified Buyers and Special Financing**

One of the most frustrating aspects of selling real estate is having a deal fall apart because a potential buyer can't arrange the financing. Some nonprofit organizations, like Neighborhood Housing Services of Great Falls, Montana, have developed special financing programs for first-time buyers in specific target neighborhoods. This financing often entails down-payment and closing-cost assistance which overcomes a huge hurdle for first-time buyers. In addition, counselors will often work for weeks with families to help resolve credit problems, budgeting or financial-management issues, and other obstacles so that when a potential buyer is delivered to a Realtor[®], the deal goes smoothly.

■ Improving the Community and Making an Impact

No one wants to buy a house in a “bad neighborhood.” And neighborhoods that are perceived to be in decline can have a contagious effect on adjoining neighborhoods. Nonprofits work with local partners to address issues at the core of declining neighborhoods: low home-ownership rates, poor-quality housing, lack of neighborhood leadership, crime problems, crumbling infrastructure, disinvestment by community residents and institutions. For example, Neighborhood Housing Services of Milwaukee, Wisconsin, working with Realtors® and other local partners, has successfully increased the home-ownership rate in several Milwaukee neighborhoods with the use of jointly sponsored education programs, aggressive marketing efforts and other revitalization strategies.

WINNING WAYS: PARTNERSHIPS WITH THE REAL ESTATE COMMUNITY

Lafayette, Indiana

Lafayette, Indiana, Neighborhood Housing Services has developed a strong relationship with the Lafayette Board of Realtors® over the last several years. When NHS first developed its highly successful HomeBuyer Clubs and HomeStart first mortgage financing program, it saw the Board of Realtors® as an important partner that was key to the success of any effort to increase home-ownership opportunities for low- and moderate-income buyers. NHS sought input from the board on program design and uses agents to help teach HomeBuyer Club classes. NHS also attends sales meetings at agencies to make sure agents are kept apprised of special financing and know how to help their customers access it. The Board of Realtors® also sponsors an annual golf outing that benefits the NHS with a contribution of about \$6,500.

Baltimore, Maryland

Neighborhood Housing Services of Baltimore is a large, multifaceted nonprofit dedicated to the revitalization of older neighborhoods in the city of Baltimore and Baltimore County, Maryland. One of the organization's key strategies is the promotion of home ownership in its target neighborhoods. The real estate community is seen as critical to this strategy, and NHS works aggressively to reach out to agents and help them conduct their business more successfully in NHS neighborhoods by helping to market listings and creating more qualified borrowers through education and special financing. NHS posts listings in their neighborhood offices, sponsors newspaper ads that market neighborhoods and show all the listings in that area, prepares listing packets and other materials to help agents sell properties, and organizes and markets neighborhood-wide, multi-broker open houses for agents and potential buyers.

Salisbury, Maryland

Salisbury, Maryland, Neighborhood Housing Services partners with the real estate community in a variety of ways to connect agents to new customers and new markets, while increasing home-ownership rates in NHS target neighborhoods. NHS works diligently to help real estate agents sell neighborhood listings and refers new ready-to-buy customers to them. NHS attracts and prepares potential buyers through special outreach to Spanish-speaking customers, homebuyer education for all first-time buyers and special financing that overcomes financial-capacity issues. Marketing efforts include yard signs announcing the availability of special financing through NHS, which direct buyers to call the real estate agent for more information, and joint marketing and staff support for neighborhood-wide open houses. NHS staff also work with the Coastal Board of Realtors® to develop a three-hour training for its members on NHS, neighborhood revitalization, special financing, and what agents can expect when working with NHS. This class will count as a continuing education credit, and NHS will certify graduates, which will put them on a list for referrals of home-buying customers.

Great Falls, Montana

As part of its neighborhood revitalization strategy, Great Falls, Montana, Neighborhood Housing Services bought, rehabilitated and sold boarded-up properties in an area that had 350 of them in 1980 – an area that 65 percent of real estate agents surveyed said was “a bad place to do business.” NHS also constructed new homes in the area. In both cases, NHS decided early on that it was very important to contract with selling agents to sell the homes and pay them commissions, in order to help restore normal real estate activity. In order to make the homes easier to sell, NHS secured special low-interest, first mortgage financing as well as a pool of \$2,500 grants for down-payment assistance to buyers. NHS also implemented a marketing campaign that brought in over 100 potential buyers – all of whom were referred to contracted brokers. The brokers agreed to waive their 3 percent commissions, but the selling agents were paid their 3 percent. Today, there are only 30 vacant homes in the 100-year-old neighborhood, and 95 percent of real estate agents surveyed call the neighborhood “a very good place to do business.”

Milwaukee, Wisconsin

In 1991, Neighborhood Housing Services of Milwaukee, Wisconsin, began an aggressive plan to increase home ownership in four neighborhoods through special financing, education and marketing. Recognizing that commissions for real estate agents were lower there than in suburban neighborhoods (typical sales prices in these neighborhoods ranged from \$35,000 to \$45,000), NHS provided a \$500 finder fee as an incentive to agents to sell listings in the neighborhoods to owner-occupants. Sales took off and the approach was refined as NHS saw owner-occupancy rates increase. In the second round, agents were offered \$250 as an incentive for sales between owner-occupants, and \$500 for sales from absent owners to owner-occupants. In 1992, NHS worked with the Board of Realtors® to create the first *Neighborhood Homebuyer Guide*, a kind of multiple listing service guide of properties for sale in NHS neighborhoods for use by real estate agents and buyers. The booklet also contained maps of the neighborhoods and information about NHS and its special financing. The guide was printed through donations from banks.

LAFAYETTE, INDIANA, NHS RELATIONSHIP WITH REALTORS®

Outcome

Lafayette, Indiana, NHS has developed over time a strong relationship the with local Board of Realtors. LNHS relies heavily on area Realtors in marketing its home-ownership programs and its newly developed houses.

Background

As LNHS moved into home-ownership promotion, there was a need to respond to families who were qualified to buy but lacked the necessary down payment. In response, LNHS created the HomeStart program, a lender-pool financing product, and HomeRenew, a second lender-participation pool that includes purchase and rehab in a single mortgage. In addition, LNHS developed HomeBuyer Clubs and complemented its housing counseling with HomeAdvance, an eight-hour, face-to-face prepurchase program. HomeAdvance also is used by many bank customers.

At the same time, LNHS began to educate local Realtors. In marketing, LNHS sees Realtors as partners not competitors, and seeks their ideas on program design. With HomeStart, HomeRenew and its HomeBuyers Clubs, LNHS became a resource to which Realtors could refer people.

Specific Components

The relationship between LNHS and area Realtors includes several components:

Early on, LNHS experienced some loss of customers, after they were prequalified but then reached a Realtor who was not really interested in working in lower-end housing. LNHS, in response, devised a system by which Realtors who want to work with LNHS customers attend a one-hour orientation session. Following the orientation, those who still are interested sign up, and their names are given to customers who are searching for a home but don't know a Realtor.

Realtors provide assistance in the HomeBuyer Clubs and in homebuyer counseling. Sessions on how to work with Realtors are provided to prospective homebuyers, and Realtors are involved in making that presentation.

Each year, LNHS purchases and renovates approximately eight to 10 houses for resale. Its agreement with the Board of Realtors is that the houses are not listed with a specific broker, but that anyone may show them. LNHS pays the selling agent a 3.5-percent commission. In return, if LNHS has an interested buyer, the buyer is referred to someone on the Realtor-referral list to make the offer.

Approach

Initially, LNHS asked the Board of Realtors to appoint someone to serve on the HomeAdvance and HomeBuyer Club committee. This person provided valuable input and, more importantly, got to know LNHS operations. The HomeStart and HomeRenew loan products increased LNHS's visibility to the Board of Realtors. The Realtors invited LNHS to the board meeting to explain the products. Subsequently, LNHS was invited to Realtor sales meetings, where the loan products were explained and specific instruction was provided on the special offer-to-purchase form.

LNHS frequently attends sales meeting at different real estate agencies to update them on LNHS programs and product changes. LNHS is an "invited lender" at new-Realtor orientation meetings.

In 1998, LNHS, in partnership with the Lafayette Urban Enterprise Association, sponsored a tour of the LNHS and LUEA neighborhoods, highlighting the good points of the neighborhoods, their historic homes and good schools.

LNHS also involved individual Realtors on working committees. This helped include Realtors' insights in ongoing LNHS programs and helped build the relationship.

Lessons Learned

LNHS was successful in part with the local Board of Realtors because it approached the board as a partner rather than as a competitor.

It was important in developing this relationship that a senior partner of one of the largest real estate firms in the community serves on the LNHS board. This helped LNHS connect directly with Realtors and was more effective than LNHS soliciting participation on its own.

Each set of participants gained in the relationship. LNHS broadened its outreach for home-ownership products. Realtors acquired a resource to which they could refer walk-ins who would not qualify for a bank loan. At LNHS, these customers could learn about the homebuying process, and decide whether they wanted to commit to becoming a homeowner.

The partnership proved durable and flexible enough to survive a drop in Realtors' financial support when they viewed a neighborhood-responsive LNHS rental program as unacceptable competition. LNHS continued meeting the community's rental needs, and the partnership, too, has continued.

For more information, contact:

Patricia Stephenson
Executive Director
Lafayette NHS
1119 Ferry Street
Lafayette, IN 47901

Phone: (765) 423-1284

Fax: (765) 742-2874

NHS OF BALTIMORE, MARYLAND, PARTNERS WITH THE REAL ESTATE COMMUNITY

Outcome

By working in partnership with this community-based nonprofit lender, many Baltimore-area selling agents are getting more customers to look at, and buy, their older-neighborhood listings – and NHS target neighborhoods are seeing higher home-ownership rates and greater stability.

Background

NHS of Baltimore is a large, multifaceted nonprofit dedicated to the revitalization of older neighborhoods in the city of Baltimore and Baltimore County, and administers services through one central office and four neighborhood-based offices. One of the organization's key strategies is the promotion of home ownership in its target neighborhoods. Tools include special, low-interest, low-downpayment financing for purchase and rehabilitation, homebuyer education and counseling to help potential borrowers resolve credit problems and understand the homebuying process, technical assistance with home inspection and home repair, and special closing-cost assistance.

The real estate community is seen as a key player in neighborhood health, and NHS works aggressively to reach out to agents and help them conduct their business more successfully in NHS neighborhoods, by helping to market listings, and by creating more qualified borrowers through education and special financing. Following is a description of what three of the NHS neighborhood-based offices, in Patterson Park, Southwest Seven and Greater Hillendale, do to create win-win partnerships with area agents.

Components

NHS seeks guidance from real estate agents in designing outreach to the real estate community and to potential buyers. NHS is very serious about learning from, and remaining relevant to, the real estate community.. Jim Piper, a partner in O'Connor, Piper and Flynn ERA, one of the largest agencies in Maryland, serves on the NHS board of trustees. And in Patterson Park, NHS staff regularly seek advice and input from an advisory group of six area agents – and they refer potential buyers from their homebuyer education program to these agents when the buyers are ready to look for a home.

NHS offers special financing incentives to encourage home purchases in target neighborhoods, and works to make sure that real estate agents understand them and can match them with potential buyers. NHS has access to a variety of special financing for first mortgages – one product now offered is at 6.75 percent. These loans require lower downpayments, which increases the number

of potential buyers. They also include rehabilitation of the property, which helps older properties become more marketable.

Other financing tools include low-interest or deferred second mortgages and closing-cost loans, and, in Greater Hillendale, a special pilot-project real estate and income tax credit for owner-occupant buyers.

NHS staff in Southwest Seven, Patterson Park and Greater Hillendale work hard to keep agents abreast of these special programs, through visits to agencies, and direct mail. Patterson Park maintains a database of over 200 agents, and does regular, brief mailings to keep them apprised of special financing and other services.

NHS staff provide homebuyer education and one-on-one counseling to help potential buyers overcome credit problems - and then refer them back to the real estate agent who sent them there, when they are ready to buy.

NHS staff help market listings and neighborhoods to potential buyers. NHS wants selling agents to be successful. The Southwest Seven, Greater Hillendale and Patterson Park offices research the listings in their areas. Southwest Seven compiles the listings monthly, with maps, and makes them available to anyone who comes in the office. In Patterson Park, there is a “model home” – a typical neighborhood house, rehabilitated to a high-quality standard, available to show to potential buyers – and agents are invited to leave their listings for the neighborhood in the house. Agents may also post their listings for the Greater Hillendale area in that office.

All three offices sponsor neighborhood-wide open house events. In Greater Hillendale, the event is done mid-week for agents, with refreshments and door prizes: in Southwest Seven and Patterson Park, the open houses are held on Sundays for potential buyers. NHS staff market the events in the newspaper, and in mass mailings to potential buyers, and they draw attention to the homes for sale with balloons.. Patterson Park also organizes a quarterly, neighborhood-wide ad of listings in the weekly *City Paper*. The neighborhoods are promoted as great places to live, and each agent who has a listing there is invited to put it in the ad for a nominal fee.

Greater Hillendale staff prepare “listing packets” for agents to use in marketing properties in that area. The packets include information about neighborhood covenants, special financing, and promotional materials on schools. Also, Patterson Park staff prepare newsletters on their neighborhoods, with profiles of recent homebuyers, for agents to use in marketing listings there.

Lessons Learned

Many real estate agents in the Baltimore area assumed NHS was selling their own properties and keeping commissions. It has taken steady education to help agents understand that unlike some other CDCs, NHS wants the agents to sell homes successfully, and make their commissions. This helps NHS achieve its mission of neighborhood revitalization.

Real estate agents are very busy, and time is money for them. NHS staff understand that agents don't get paid to read their marketing materials, so information must be quick and to the point. And one visit or mailing is not enough. Regular communication is key to bringing new agents into the loop, and keeping existing agents well-informed.

One thing that agents don't like about working with NHS is that most of the organization's special financing requires that properties be rehabilitated to meet NHS standards, which are designed to ensure that buyers don't end up in a property that needs repairs they can't afford, and to improve the overall quality of the neighborhood. Like FHA financing, this adds time to the process. Agents should usually expect 90 to 120 days between contract and closing.

NHS staff have found that involving real estate agents in the planning stages of marketing and program development is invaluable. Agents know what works in outreach to other agents and to buyers, and they've helped NHS be much more successful.

For more information, contact:

Susan Tifft
Resource Development Coordinator
NHS of Baltimore
244 North Patterson Park Avenue
Baltimore, MD 21231

Phone: (410) 327-1200

Fax: (410) 675-1855

SALISBURY, MARYLAND, NHS BRINGS NEW BUSINESS TO THE REAL ESTATE COMMUNITY

Outcome

Salisbury NHS partners with the real estate community in a variety of ways to connect agents to new customers and new markets, while increasing home-ownership rates in NHS target neighborhoods.

Background

Salisbury NHS works to revitalize three older neighborhoods in the city of Salisbury, Maryland. An important part of the organization's strategy is to increase home-ownership rates, by developing more qualified buyers through education and training, and by making homes for sale more attractive with special financing and marketing.

NHS works diligently to help real estate agents sell neighborhood listings, and to refer new ready-to-buy customers to them, through special bilingual outreach to Spanish-speaking customers, NHS homebuyer education for all first-time buyers, and special financing that overcomes financial capacity issues.

Components

NHS reaches out with bilingual resources to connect Spanish-speaking families with the homebuying process. Salisbury has a growing Spanish-speaking community, many of whom are first-generation buyers, and need linguistically appropriate help in understanding and navigating the home-buying process. NHS is actively reaching out to this market with the help of one of its successful home-purchase borrowers, who is Puerto Rican.

Jackie Castillo has translated NHS documents, helps with homebuyer education, and serves as an interpreter during the loan process. NHS is also developing a series of Spanish-language radio ads, to attract more families to its homebuyer education classes, to its special first and second mortgage financing, and ultimately, to home ownership in NHS neighborhoods.

Only one real estate agency in Salisbury currently has any bilingual capability, and NHS refers Spanish-speaking customers there for help in finding a home.

NHS trains hundreds of first-time buyers on the homebuying process, including how to find and work with a real estate agent. NHS homebuyer education classes create a whole new market of buyers that wouldn't have been there otherwise, and all participants are trained on working with the real estate community, sometimes by agents themselves.

NHS offers special financing to help low- and moderate-income families be approved for a home purchase. NHS also understands what it takes in financing to make home purchase a reality for low- and moderate-income borrowers, and offers this financing through its home purchase lending program. First and second mortgage loans are available, at reduced interest rates, with higher ratios, and requiring lower downpayments, making it easier for real estate agents to sell homes in NHS neighborhoods. Closing costs are about half what they are in the normal market.

NHS staff help market listings in target neighborhoods, increasing the pool of potential buyers. NHS provides brochures, explaining special financing, for agents to use in marketing properties. NHS also offers yard signs announcing the availability of special financing through NHS, which direct buyers to call the real estate agent for more information.

Helium balloons are available to help jazz up open houses, and NHS also once helped sponsor, market and staff a neighborhood-wide, multi-broker open house one summer, called Salisbury NHS Financing Day. The event captured a two-page spread in the *Real Estate Magazine* and generated traffic and contracts far exceeding agents' expectations. As a result of this event, one agency, that produces a television magazine program on its listings, plans to do one show just on properties eligible for NHS financing.

Learning about NHS and its philosophy, financing and education will soon garner a continuing education credit for real estate agents. NHS staff are working with the Coastal Board of Realtors® to develop a three-hour training for its members on NHS, neighborhood revitalization, special financing, and what agents can expect when working with NHS. This class will count as a continuing education credit, and NHS will certify graduates – which will put them on a list for referrals of homebuying customers.

Lessons Learned

Realtors can be a strong partner in neighborhood revitalization, and are key to providing a high level of customer service that results in a positive experience for the homebuyer.

Combining NHS marketing efforts with those of real estate agents doubles the potential exposure for both.

NHS' philosophy is working. Real estate agents are now coming to the organization for marketing tools to help homes in the target neighborhoods be more competitive.

For more information, contact:

Deborah Campbell
Executive Director
Salisbury NHS
513 Camden Avenue
Salisbury, MD 21801

Phone: (410) 543-4626

Fax: (410) 543-9204

GREAT FALLS, MONTANA, NHS INVOLVEMENT WITH REALTORS®

Outcome

Great Falls NHS has developed a very strong connection to local Realtors, dramatically changing both the Realtors' perceptions of NHS and of the neighborhood.

Background

In the 1960s it was anticipated that Great Falls would grow from 40,000 to over 100,000 by the 1980s. The residential area to the south of the downtown was predicted to become all commercial. Homeowners in that neighborhood were moving into newly constructed homes on the edge of town, often selling their homes to speculators as rental housing. With lax zoning, auto body shops and other undesirable businesses began cropping up in the neighborhood. The residential area to the north of the downtown began a similar decline. Then, the growth trend reversed when the Anaconda Company closed its operation, taking 3,500 primary jobs, and NORAD was moved from Malmstrom Air Force Base, taking another 1,500 jobs. Clearly, the anticipated growth of the commercial area into the residential areas was not going to happen. When NHS began its work in these two downtown neighborhoods in 1980, there were over 350 boarded up houses.

Components

Like many NeighborWorks® organizations, Great Falls NHS was engaged in buying, rehabilitating and selling distressed properties. Early on, the program made a tactical decision to involve Realtors in the sale of those properties rather than sell them without Realtors. While, in the short term, the program would be adding cost to the sales price to compensate for Realtor involvement, over the long term, the neighborhood would be served if Realtors were drawn into working there.

As a first step, the program was able to get a well-respected Realtor to join the board. This Realtor agreed to forego the 3 percent broker's listing commission, while the 3 percent seller's commission was retained. Properties were listed and Realtors began to work in the neighborhood.

The NHS then went to the state housing finance agency (HFA) and asked for a set-aside of an initial \$500,000 at 6.78 percent from a mortgage revenue bond payback fund. This set-aside was only available for properties in the target area. At the time, interest rates were double-digit, so the availability of this money was an incentive for greater Realtor involvement in the target area. As rates came down, subsequent set-asides were less of an incentive for new home purchases.

The NHS then succeeded in obtaining Affordable Housing Program grants of \$100,000 from the Federal Home Loan Bank, which provided up to \$2,500 per homebuyer for down payments and closing costs along with the 6.78 percent mortgages. This helped to once again make home

purchase more attractive in the target neighborhoods. All through this period, Realtors were becoming more familiar with NHS and more comfortable working in the neighborhood.

When the NHS began to move forward on a new construction program, it sought input on the kind of homes that should be built from the brokers and owners of the major real estate agencies. The NHS also asked for a concession on fees, requesting the brokers forego their 3 percent commission. The brokers responded positively to this request. Those who agreed to the lower fee were asked to sign a form. The list of those real estate agencies was then given to the prospective buyers.

There were several key selling points in getting Realtors to lower their traditional fees for this program. First, over time, the NHS had convinced Realtors to work in the target neighborhood. While originally disposed neither toward NHS nor the neighborhood, these Realtors had become familiar with both. In the specific new construction example, Realtors were made aware of all the specific pieces that were going into making the new home affordable. Everyone involved was giving up something – the lenders, the title companies, and the state finance agency were all charging lower fees, plus there was a \$20,000 subsidy from grants. In addition, NHS had done some initial marketing of the homes and had found over 100 families interested in purchase, providing the Realtors with a significant base of potential customers. These buyers were people who could not buy houses without NHS assistance, so a whole new group of customers was being opened.

According to a survey done at the inception of this partnership approach, 65 percent of the Realtors in Great Falls indicated the target area was a bad place to do business. Two years later 60 percent said it was a fair place to do business. Now 95 percent say it is a very good area in which to work. The Realtors have also become real supporters of NHS. Each year about 40 Realtors are involved in some way as volunteers in the program, and more than 100 individually contribute to the annual fund drive. In terms of neighborhood change, starting with 350 vacant structures, only 30 buildings still remain vacant. An original vacancy rate of 16 percent in the area has been reduced to two percent, and property values in this 100-year-old-neighborhood have shown steady appreciation.

Lessons Learned

The main lesson learned in this approach revolved around the tactical decision to involve Realtors in the sale of NHS-assisted properties. There was a cost in this approach since it added a Realtor's commission to the sale price. However, the NHS felt that in order to build a normal market, that cost was offset by the benefit of getting Realtors involved in selling the neighborhood, instead of saying, "Oh, you don't want to look there, that's a bad neighborhood."

Other lessons are that Realtors will lower fees if others involved are also giving up something, and that they, too, become emotionally caught up in trying to help the people targeted by these programs (the disabled, single mothers, etc.). For instance, the buyers of roughly 25 percent of the

homes under the Great Falls down-payment and subsidy programs have had disabled members in the family. Because their benefits are structured in such a way that they are unable to save enough for a down payment, they have previously been shut out of an opportunity to buy a home. When you help these special needs families obtain home ownership, everyone including the Realtor shares in the joy.

For more information, contact:

Nancy Stephenson
Executive Director
NHS of Great Falls
509 First Avenue South
Great Falls, MT 59401

Phone: (406) 761-5861

Fax: (406) 761-5852

NHS OF MILWAUKEE, WISCONSIN'S, NEIGHBORHOOD HOMEBUYER GUIDE

Outcome

Neighborhood Housing Services of Milwaukee, Wisconsin, once produced a quarterly listing of homes for sale in its targeted neighborhoods. This booklet, the *Neighborhood Homebuyer Guide*, was published in partnership with the Milwaukee Board of Realtors. In 1999, the booklet no longer was being published.

Background

NHS of Milwaukee currently operates in 14 neighborhoods. It has a central office, which manages the lending programs and overall program administration, a North Side office that works with eight neighborhoods, and a South Side office that works with six neighborhoods. Each neighborhood has a resident-based advisory council. Average sale prices in the NHS neighborhoods are in the \$35,000 to \$45,000 range.

NHS is developing a better relationship with the real estate community. In 1991, recognizing the profit margin was lower in the NHS neighborhoods, the NHS provided a \$500 finder fee as an incentive to agents to sell properties there. This approach was refined as NHS saw owner-occupancy increasing in the target neighborhoods. Agents were offered \$250 as an incentive for sales between owner-occupants and \$500 for sales from absentee owners to owner-occupants.

The incentive program, initially funded by Neighborhood Reinvestment Corporation, was an effective demonstration. It achieved what it had set out to do – get real estate agents familiar with NHS and its neighborhoods. In 1992 as part of this over-all strategy to develop a better relationship with the real estate community, the NHS proposed that a booklet listing NHS neighborhood properties for sale be published in partnership with the local Board of Realtors. The need for such a booklet was driven in part by the success of the NHS's homebuyer education efforts. NHS was clearly successful in finding and developing potential buyers but there was still a need to give those potential buyers an idea of what was actually available on the market.

The NHS had developed some good contacts within the real estate community by having a member of the Board of Realtors® on the NHS board. The idea was first presented to the Multiple Listing Service and the details of how it might work were flushed out. The concept of the *Neighborhood Homebuyer Guide* was then presented to the Board of Realtors with the following selling points:

- Properties for sale in NHS neighborhoods were priced lower than those in much of the metropolitan market and as a result profits would be lower. The *Neighborhood Homebuyer Guide* would be a valuable piece of advertising for real estate brokers.

- NHS plays a key role in finding and educating potential home buyers. The *Neighborhood Homebuyer Guide* would help Realtors connect to that system.
- The ability to list in the *Neighborhood Homebuyer Guide* was another benefit to being a member of the Multiple Listing Service.

The Board of Realtors was asked to do two things. First, in supporting the development of the *Neighborhood Homebuyer Guide*, it was asked to secure the permission of the listing agents and, second, it needed to provide the NHS with copy. NHS would then be responsible for printing and distributing the *Neighborhood Homebuyer Guide*. The cost of printing, approximately \$4000 per issue for 3,000 copies, was paid for by lenders involved with NHS.

Components

The *Neighborhood Homebuyer Guide* featured a map of the NHS neighborhoods and basic information about NHS with advice for potential home buyers. The bulk of the booklet contained listings of properties for sale by neighborhood. Each page contained six listings. Each listing contained a photo of the property and relevant information including the price and agent with whom the property was listed. The lender sponsoring each publication was given the back cover page for advertising.

The *Neighborhood Homebuyer Guide* was distributed to all the families involved in homebuyer education. In addition it was distributed to banks and local businesses.

The *Neighborhood Homebuyer Guide* provided NHS with a tool to help families it was preparing for home ownership to enter the market. The result was increased referrals from Realtors, especially for buyers who needed some additional counseling to better qualify for home purchase.

Lessons Learned

NHS of Milwaukee in both the sales incentive program and through the *Neighborhood Homebuyer Guide* recognized the Realtors' self-interest and responded to it. If it takes as much effort to sell a \$90,000 suburban house as it does to sell a \$40,000 city house, Realtors will achieve a higher profit margin in the suburbs. The sales incentive program was a way to lure Realtors into NHS neighborhoods by making the profit margin more even. The *Neighborhood Homebuyer Guide* was a way to add marketing values by providing extra visibility to neighborhood properties.

NHS has worked hard to build relationships with Realtors who have an interest in improving the neighborhood. NHS has been successful in developing certain Realtors who are becoming specialized in neighborhood markets and are knowledgeable about the programs of NHS. While the *Neighborhood Homebuyer Guide* enjoyed the support of many Realtors there were still several operating who appear to have little concern about who buys a house.

The *Neighborhood Homebuyer Guide* featured only properties listed by Realtors participating in the Multiple Listing Service. There were many additional properties for sale by owner and other real estate professionals.

For more information, contact:

Dave Stockdale
Executive Director
NHS of Milwaukee
4914 West North Avenue
Milwaukee, WI 53211

Phone: (414) 449-9914

Fax: (414) 449-2514



Neighborhood Reinvestment Corporation

1325 G Street, NW, Suite 800

Washington, DC 20005

(202) 220-2300

www.nw.org

